



A light-hearted moment at home with her 9-year-old son, John, brightens the day of New York actuary Barbara Fraser, a single mom since John was a baby.

Financial facts of life for newly single moms

SHORT OF MONEY. Short of time. Short of help.

Many people find themselves in that situation, at least occasionally. Single parents suffer from those complaints as a matter of course.

As a single parent it's doubly important for you to master the basics of insurance, savings plans, estate planning and the like. You can't cram years of experience into a few months. Nor would it be wise to try, because you want to avoid precipitate, possibly costly actions.

Barbara Fraser, an actuary with Equitable Life Assurance Society in New York City and herself a single parent, advises others who are new to the situation to "cool it as far as big decisions are concerned. Your whole life is in a flux. It's not a great time to make big changes." Fraser was widowed nine years ago when her child was a baby. She went back to school and two years ago finished the last of the ten examinations needed to qualify her as an actuary.

What follows are brief, down-to-earth pointers for dealing with major financial problems while you're

You're no longer a tiny minority, yet most financial advice is still directed at couples. These pointers can help when all the planning falls in your lap.

building up your own background. The suggestions won't fit everyone's situation (nothing will, a caveat to keep in mind for any advice you receive), so adapt them as required.

Women with doubts about their ability to handle financial tasks should take heart from this accolade from Terrance M. Gill, a Fort Worth financial adviser: "Single men are not as good money managers as women. Women are tighter with a buck. They can say no to deals more easily than a man."

Budgeting

A monthly budget won't increase your income, but keeping one will accomplish other commendable goals.

► Listing all your income and ex-

penditures enables you to set upper limits on your spending and thus avoid slipping into debt beyond your means.

► Categorizing your expenditures provides the information needed to allocate income where it will do most good.

► Scheduling such periodic outlays as insurance premiums according to their due dates guards against paying bills either prematurely or too late.

► Checking the income and outlays over a course of several months may reveal mistakes—a double payment on a bill, an erroneous increase in utility charges, a missed check.

Don't bother setting up an elaborately detailed budget. The likelihood of a budget being used varies in-

versely with its complexity. Nor should you worry about nailing figures down to the penny or rigidly adhering to spending limits. Reasonably close compliance will suffice.

Credit

Getting the first card may be the toughest part. But credit cards, especially from department stores and banks, greatly simplify daily life. They reduce the need for carrying cash and tide you over low periods in your income flow. And if you pay on time, you may get to use the store's or bank's money free.

Under federal law you can't be denied credit because you're single, separated, divorced, widowed or a woman. In applying for credit, you need not report alimony and support payments as part of your income unless you want it to be taken into account in meeting the creditor's standards.

If you took the precaution of having a credit card in your own name while you were married, or if you and your former husband applied for credit in both your names, you have a credit record in a local credit bureau that will probably be used in considering your request. Assume, though, that you have no credit history as an individual.

The Consumer Credit Project, a volunteer organization, looked into that problem and came up with these suggestions in its report, *New Credit Rights for Women* (\$3 from CCP, 261 Kimberley St., Barrington, Ill. 60010):

- Open savings and checking accounts in your own name.
- Get a telephone listing that identifies you individually.
- Apply to a local department store for your own account. Don't accept a card sent to you in your spouse's or former spouse's name.
- Don't apply to more than one or two stores at a time. Deluging stores with applications might make them suspicious. (Charles R. Walsh, senior vice-president of Manufacturers Hanover Trust Co. in New York, says wholesale requests and denials could act as a "warning trigger" for company credit managers.)
- Make sure you pay bills on time.
- Don't apply for a bank card until you've run up about a year of good experience with a store card. (Banks

reportedly apply higher standards because their cards can be used at thousands of places here and in foreign countries. Store cards are restricted to one or a group of outlets, and retailers can more easily monitor the charges.)

► Apply for an overdraft privilege on your checking account. That's a preapproved loan plan through which you can automatically borrow small amounts.

► As a last resort, take out a small loan from your bank or credit union and pay it off on time. Ask that your loan repayment record be sent to the credit bureau.

You must be notified in writing of a credit rejection; if the letter doesn't specify the reasons, you may demand them, providing you file the request within 60 days. The first person to contact if you're rejected is the credit manager. You have the right to review credit bureau information and ask that any inaccuracies be corrected. If all else fails, you can take legal action, but that may hardly be worth the cost. You can also complain to the federal agency named in the rejection letter.

For more information on your legal rights, write to the Bureau of Consumer Protection, Federal Trade Commission, Equal Credit Opportunity Act, Washington, D.C. 20580, Attn: Division of Credit Practices.

Life insurance

Find out how much insurance on your life your employer provides under a group plan. Also, you and your child may still be beneficiaries on your former spouse's policy. The total might be sufficient, taken together with other assets that would pass to your child on your death. However, considering the cost of higher education, additional insurance on your life may be called for to make sure your child at least gets the opportunity to go to college.

In Connecticut, Massachusetts and New York you can buy limited amounts of low-cost insurance directly from mutual savings banks. In other areas you have to buy through life insurance company agents.

Note these two points and you should end up with a reasonably good policy:

1. No matter what the agent calls the policies, there are only two ge-

neric types of insurance: cash value and term. Cash value is the kind that accumulates a sum against which you can borrow while the policy is in force. (You can withdraw the cash value only if you surrender the policy.) When you die, your beneficiary receives the policy's face amount (less any outstanding loan balance), not the face amount plus the cash value. Term does not accumulate any cash value. The premium goes up periodically in line with your mortality risk.

2. Term is cheaper than cash value insurance. With \$500 a year to spend, a woman 35 can buy over \$200,000 of term compared with about \$40,000 of whole life (the traditional form of cash value insurance). Your best bet would probably be an annual renewable term policy with no frills except, possibly, for a disability waiver, which pays the premium if you become disabled. Even though the premium will rise each year, you'll wind up with more coverage in middle age with term than you would with a cash value policy. At 55, for instance, that \$500 a year will buy about \$59,000 of term.

Should you also buy insurance on your children's lives? It's a luxury, or at worst a waste of money. The death of a child usually does not create any financial burden other than burial expenses. It's your death that would cause hardship, so concentrate the available premium money on your policy.

Health and disability insurance

Both are essential. Here, too, start by checking the coverage provided by your employer, or your spouse's employer if you're separated and not covered by your job. If you contribute to your health plan and have any discretion on the type or amount of protection, aim toward the most liberal option you can afford. It will be cheaper than buying supplementary insurance in an individual policy. A group plan may continue to insure you for a limited time after you leave the company, and you may have the right to convert to an individual policy (at a higher premium).

Disability plans pay part of your lost wages while you're disabled. Short-term plans pay benefits for up to two years. Long-term plans run up to age 65, or in some cases up to 72, at

which time you should qualify for pension benefits.

Group disability plans are far less widespread than health plans. Payments are ordinarily reduced to offset benefits you may receive from workers' compensation or social security.

As a worker covered by social security, you qualify for disability if you should have a mental or physical condition that prevents you from working and is expected to continue for at least 12 months or result in your death. A 30-year-old woman who has worked at \$15,000 for eight years would get \$645 a month, and her children would receive, in total, \$322 a month.

Life insurance companies sell individual policies that you might consider if you have no group protection or want to supplement what you do have. The cost varies with your occupation, the monthly benefit, the duration of benefit payments, the period you have to wait before benefits begin, the required degree of disability, the insurance company and other factors.

For \$177 a year a 25-year-old secretary earning \$11,000 a year can buy a policy that will pay \$650 a month, after a 60-day waiting period, for up to two years. The same policy will cost \$331 if the payout period extends until she is 65. A 40-year-old female computer programmer making \$25,000 would have to lay out about \$433 a year for a \$1,000 monthly benefit to age 65.

It's advisable to check out at least two companies for disability coverage because rates and terms differ. Not every company, for example, will issue a policy to someone with an \$11,000 salary.

Jay H. Drucker, director of health marketing services for Monarch Life Insurance Co., Springfield, Mass., suggests looking for a policy that meets these standards: It contains few or no exclusions from coverage; you qualify for benefits when you're unable to perform your occupation, rather than any occupation; premium rates can't be changed after you have the policy; and the policy may be renewed to age 65 at your discretion.

Social security

In addition to disability and retirement benefits on your own working

record, you may be entitled to social security assistance as either a widow or divorced wife. A divorced wife of a disabled or retired husband does not qualify unless she's unmarried, 62 or older and was married to the ex-husband for at least ten years. But her child may be eligible for monthly payments even if she isn't.

The social security rules are shot full of technicalities. The local offices distribute free booklets describing benefits. They're good to keep around for reference, but you might have to ask for a further explanation of your specific status. The offices will also provide a postcard form on which you can ask for a summary of your own account to see that your earnings are being properly credited.

Taxes

Are you taking full advantage of these three tax breaks?

1. If you pay more than half the costs of maintaining a home for yourself and your child, you may qualify for head-of-household tax rates, which are lower than those applied to singles and married couples filing separately. It's possible to qualify as a head of household if you're still married but living apart.

2. You can take a tax credit for the cost of day care for your child so you can work. The child care rules were changed last year to favor people with lower incomes. The law now permits a sliding credit of up to 30% of \$2,400, depending on income. The maximum credit for one child is \$720 for people with incomes of \$10,000 or less. A parent making over \$28,000 is limited to the smallest amount: \$480. Double those amounts are allowed for two or more dependents.

3. You need not include in your taxable income those payments that legally qualify as child support.

Those three points alone indicate how much you can lose by not knowing the tax rules and not keeping abreast of the frequent changes.

Wills

However great the odds against your dying at this age, it's best to have a will prepared now. You probably won't need more than a simple will that any competent attorney can draw up. But think about the two major provisions your will should include.

► Who would you prefer to take care of your child should you die now? The attorney can advise you on your former spouse's legal rights in choosing a guardian. If you appoint someone other than your former spouse, be sure to consider the person's age as well as capability. A middle-aged friend or grandparent might be desirable now but could find it difficult to care for a young child in later years. You will also have to select someone to take over if the primary guardian whom you have selected should for some reason become unable to care for your child.

► The money and other assets you leave for the child can be entrusted to the guardian to be used for the child's welfare. If you have a large estate, your attorney may suggest setting up a trust for the child.

Investments

Stay liquid. Any extra money should go into an insured savings account that allows you to tap the interest or principal or both without any prolonged delay. A good bet would be one of the Super NOW or money-market accounts. You can arrange for a steady flow of income from certificates of deposit by having the interest paid monthly or quarterly into your bank account.

What about bonds or stocks? All securities involve some risk. Even government securities fluctuate, so you could lose some capital if you were forced to sell them before they mature. If you buy Treasuries (for which you will need \$5,000 to \$10,000, depending on the type of security), stick to the shorter-term issues, those that mature in the relatively near future.

Before investing in stocks or bonds, make certain you can pass these simple tests:

► You have enough money put aside to carry you for at least six months without working or receiving outside income.

► You don't owe more than you could pay off in one year.

Financial adviser Terrance Gill maintains that many single parents would be better off with passive investments, such as Treasury securities and mutual funds, that don't require as active supervision as individual stocks and real estate. □

Getting a grip on your money

The most effective way to get a firm grip on your financial situation is to map out where you stand now—your assets, debts, how much money you have coming in, where it goes and so on. You should have the information at hand for most of the items called for in these forms. When in doubt, use a reasonable estimate. To play it safe, don't include income you are not fairly certain about. Also, try to build into future expenditures some allowance for inflation.

An important part of many financial stock-taking is your estate plan. You should have a will, and you should record where copies can be found. Also, make a separate record of the executor named in your will, as well as the names and addresses of the primary and successor guardians of your children, the trustees of any of your estate, and any persons named in your will as executor or guardian.

MAJOR EXPENSES LIKELY THIS YEAR

personally for your child and you

others

home

car

education

other

total \$

ANNUAL BUDGET

income

take-home pay

alimony

child support

interest, dividends

other

total \$

expenditures

food

mortgage, rent

fuel, utilities

oil, gas

electricity

telephone

water, sewer

household upkeep and repairs

automobile

gas, oil

repairs

public transportation

insurance premiums

personal care

medical and dental

clothing

recreation

savings

miscellaneous

total \$

MAJOR EXPENSES LIKELY THIS YEAR

personally for your child and you

others

home

car

education

other

total \$

MAJOR EXPENSES LIKELY THIS YEAR

personally for your child and you

others

home

car

education

other

total \$

WHAT YOU OWN

cash

checking account

savings and similar accounts

bonds, stocks, other investments

automobile

home—market value

personal effects

jewelry

coins, stamp collections

art

home furnishings

clothing

miscellaneous

total \$

WHAT YOU OWE

car loan

mortgage balance

personal loans

credit card balances

other

total \$

INSURANCE COVERAGE

car

amount of liability coverage

collision deductible

life insurance

from employer

own policies

policies on lives of others on which you are beneficiary

total \$

disability and health

from employer

own policy

do you qualify for social security?

on your own record yes () no ()

on ex-husband's record yes () no ()